



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, September 11, 2014

4:00 p.m.

City Hall, Kiva Conference Room
3939 N. Drinkwater Blvd, Scottsdale, AZ 85251

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- PRESENT:** Mayor W.J. "Jim" Lane
Councilman Dennis Robbins
- ABSENT:** Councilwoman Linda Milhaven
- STAFF:** Brian Biesemeyer, Water Resource Director, Acting City Manager
Danielle Casey, Director, Economic Development
William Hylen, Assistant City Attorney
Christian Green, Economic Development Manager
- GUESTS:** Todd Hardy, Associate Vice President for Economic Affairs, ASU office of Knowledge Enterprise Development, ASU Skysong
Janice Kleinwort, Executive Director for Economic Affairs, ASU office of Knowledge Enterprise Development, ASU Skysong

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:05 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of March 20, 2014 Minutes

COUNCILMAN ROBBINS MOVED TO APPROVE THE MINUTES OF THE MARCH 20, 2014 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS PRESENTED. MAYOR LANE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN MILHAVEN WAS ABSENT.

2. SkySong Update

Todd Hardy of ASU SkySong reported that construction on Building 3 is complete and the facility is ready to open next month. A formal grand opening is planned for early December. The building is 88% leased, and WebFilings will occupy an entire floor. ASU will also be using space in the building, locating a new conference center there along with offices for ASU Online. The innovative blood testing company Therasanos is growing rapidly and will be moving into Building 3 as well. Construction on the fourth building is ready to begin once a tenant is found. Once that is complete, SkySong will have built out 600,000 square feet of space, which is half of the total planned. The overall project is two years ahead of schedule. New market rate apartments are 80% leased, and 70% occupied. With a total of 325 units on site and additional units being built in the nearby area, the number of residents living in the neighborhood will generate a significant amount of economic activity.

Mayor Lane requested information on the percentage of companies based at SkySong that are technology-oriented. Mr. Hardy responded that he did not know the exact amount, but felt it was certainly higher than the 51% required under the agreement with the City. He said small innovation companies are attracted to SkySong because of the connections they can make to the faculty, students, and the community of companies already there.

Janice Kleinwort of ASU SkySong described some of the companies based there. Hot Salsa is a company that makes educational games. They grew out of the website development industry before moving into apps. Massively Parallel Technologies is bringing out a new product that was developed with the help of 24 graduate students. PayPal has an engineering office located in north Scottsdale, but they are putting a small group of engineers at SkySong so they can more easily interact with the companies on site. Other businesses are considering doing the same, which will help drive more activity and collaboration.

Mr. Hardy explained that the new ASU conference center will be able to accommodate 400 people arranged audience style, and be much more suited to conference use than the previous space was. The old conference area will be converted into assembly and light manufacturing use for a solar panel company. The conference area currently hosts up to 600 meetings per month. SkySong will invest in developing a collection of restaurants on site to give tenants options for nearby food and drinks. Ms. Kleinwort added that Building 3 will feature bike lockers and showers to support bicycle commuters.

Mr. Hardy said the market momentum and buzz surrounding SkySong will make it possible to build out the rest of the campus very quickly. The best practices of other innovation centers will be incorporated into the design, and the plan will be integrated with those emerging for the McDowell Road corridor redevelopment. About 20 companies are hatched every year through the Student Entrepreneur Program, many of which receive significant investment. Other programs run through SkySong include the Rapid Startup School, and Furnace Intellectual Property. Mayor Lane said the growth of SkySong will encourage more companies to expand to Scottsdale, even if they decide not to relocate a home office here.

Mr. Hardy requested feedback on the types of reports the City Council would prefer to receive regarding activities at SkySong. Mayor Lane responded that at this point, just knowing more about the kinds of businesses that are developing there will help the marketing efforts to promote both SkySong and the City of Scottsdale. He felt the City could play a role in fostering more connections between SkySong and Cure Corridor research projects seeking private investment. Councilman Robbins suggested that the full City Council would benefit from a presentation on SkySong activities, and the exposure would help the community better understand what is going on there.

3. Cure Corridor Strategy Update

Christian Green, Economic Development Manager for Strategic Marketing, reported that staff interviewed eight business leaders and top researchers from the Cure Corridor, which were used to create a seven-minute video that was presented at the 2014 BIO International Convention. The video shows the depth and strength of the Corridor and its importance in the region. Mayor Lane said the video is a good starting point, but suggested that future promotion efforts be broadened to involve businesses such as Primus Pharmaceuticals that specialize on the wellness side, or device manufacturers.

Danielle Casey said staff keeps learning about new innovative companies that could benefit from the City's help in facilitating their growth. Mr. Green added that many companies tied to

the healthcare industry have yet to be tapped. Scottsdale is running low on the availability of downtown and Class A office space. Another area that should not be overlooked is the support industry that has emerged because of the Cure Corridor. Scottsdale has become one of the few places that offer all of the components needed to support a full range of medical treatments in one place. As technological advances make it possible for companies to extend beyond their physical confines to reach people globally, Scottsdale could really use this development to its advantage in the future. Mayor Lane noted that Scottsdale is also home to one of the largest medical transport operations in the world, which makes it possible to move people from all over the world for top level treatment in Scottsdale.

Mr. Green said Economic Development has been working to change the philosophy of what business leaders can expect from city government, letting them know that the City of Scottsdale can help build relationships that will benefit their business and in turn improve the local economy. Staff is also producing an interactive map that will be used to demonstrate to potential clients where the medical healthcare companies are located in Scottsdale. They will be able to click on different properties to view them. The most important goal is developing brand awareness and communicating the entirety of what exists in the Cure Corridor.

Mr. Green said the BIO International Convention was held this year in San Diego. Over 15,000 representatives from 16 countries participated. News that Arizona reached Tier II status in terms of its ranking in bioscience industry establishments broke during the convention. This achievement will make the state more competitive. Scottsdale also received good exposure to international industry magazines, which will improve opportunities to pitch the Cure Corridor further at the next convention. Ms. Casey said Scottsdale formally launched a partnership with the Arizona BioIndustry Association, and this has already resulted in improved networking opportunities.

Mr. Green explained that Primus Pharmaceuticals and Magellan Health are two of the key companies Economic Development will be working with to further engage with other industries and explore new expansion opportunities. Mayor Lane acknowledged that the importance of Magellan Health's decision to move their headquarters to Scottsdale cannot be understated. Ms. Casey said it will be nice to have more Scottsdale companies involved in regional economic development groups like the Greater Phoenix Economic Council.

Mayor Lane noted that another benefit of marketing the Cure Corridor is to educate residents on the advantages this industry provides for the local economy and for their well-being.

Ms. Casey reported that staff is exploring an idea to create several think tanks consisting of select executives from key target industries who will be invited to meet twice a year to discuss trends they are seeing in their industries that could pose problems or provide opportunities in the future. A secondary goal of these meetings will be to facilitate communication between key players who can make things happen in the community.

Mr. Green stated that a Cure Corridor event is planned tentatively for December 3. The Arizona Commerce Authority has created state incentives to attract companies that would be interested in moving here. The economic opportunities that come with medical tourism are great, especially in international healthcare.

Mayor Lane said he feels Economic Development is on the right course by helping to facilitate the collaboration and the growing of the market overall. Mr. Green noted that what really stood out from the video production experience was the excitement that local business leaders possess regarding what is transpiring in Scottsdale. They have true passion for the community and do not hesitate to talk about it.

4. Economic Development Department Report

Danielle Casey, Economic Development Director, presented a summary of the annual report for the department. The draft strategic plan was delivered on schedule and on budget, and will be brought to City Council for adoption this fall. Staff created a strict new protocol for measuring job growth based on the number of jobs companies that moved to Scottsdale said they would create within the first 12 months. Based on this protocol, staff determined that 1,069 new jobs were created in Scottsdale this year, with an average wage of almost \$48,000. Staff conducted 86 direct business retention outreach visits, and those companies said they created 1,100 new jobs. The department was fully reorganized and new performance plans created. The first Cure Corridor event was sold out. A six-month small business educational series was also a success.

Mayor Lane said the economic development focus is usually on job creation, but what cannot be ignored is the overall investment that is made in Scottsdale when a company decides to relocate here.

Ms. Casey reviewed metrics used to track performance. Staff employed a conservative model that only considers those companies that have been directly influenced by Economic Development. The estimated five-year total economic impact was calculated as approximately \$1.8 billion. Several new initiatives were launched this past year. One pilot program is an economic gardening program that would offer services to businesses through very strategic market research to help them be more successful.

Mayor Lane inquired about at-risk leases. Ms. Casey explained that staff has a new database that tracks company transactions and that can be used to identify those that might be in financial trouble. Staff can then approach those businesses to see if there is any way the City can help improve their situation. At the very least it is a good way to gain advance warning of potential problems.

Ms. Casey said staff is exploring whether to introduce a new welcome program to help relocated employees adjust to life in Scottsdale. If they can become excited about the community, they have the potential to become ambassadors for recruiting other skilled labor into the market. Every business that gets a license is provided with information on how Economic Development can help them. Next year will see a much more intensive collaboration with Eureka Loft and young professionals groups. Staff in partnership with ASU will explore the feasibility of high tech light manufacturing/assembly as a way to repurpose the old car dealership lots along McDowell Road. Mayor Lane proposed introducing the Cure Corridor to graduating students at various schools so that they understand what opportunities exist for them in the market.

Ms. Casey reported that custom strategic marketing messages will be created for each target industry sector. Each industry has unique value propositions that Scottsdale can meet. Specific information will also be produced on each of Scottsdale's employment areas. The PR and social media campaigns will continue to grow. The department website was completely overhauled quickly and cheaply by partnering with the City's internal web and media services department. This effort served as a test of the platform that will be used to redesign the entire scottsdaleaz.gov site. The redesign has already received a gold level award from the International Economic Development Council. The new website will also allow anyone to search any listed commercial property in Scottsdale for free. All six of the small business classes were recorded and are available on the website.

Ms. Casey said Economic Development is working on a variety of McDowell Corridor initiatives regarding adaptive reuse in partnership with the Planning department. CDBG funds were

secured for the façade program, but they cannot be launched because the redevelopment district has not been updated within the last ten years, and therefore does not meet federal requirements. The draft strategic plan framework was revised to incorporate input received at the June 10 work session. The framework will give City Council the flexibility to tailor plans on an annual basis without obligating future financial commitments.

Ms. Casey reported that staff has been leveraging economic development with tourism to raise business brand awareness. Some of the 30-second video spots that will be featured at the Charles Schwab Cup will be used to market opportunities with Scottsdale Economic Development. A Scottsdale venue will be hosting a key entertainment event for top executives during the Super Bowl. The AZ Bio Awards Dinner and Gala is being held September 17. Mayor Lane will receive a public service award from the bio industry at that event. The Mayor and Council Breakfast is scheduled for October 23 and will feature keynote speaker Paul Heller of Vanguard. The second annual Cure Corridor event is tentatively planned for December 3.

5. Open Call to the Public (A.R.S. §38-431.02)

None.

6. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:49 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.